

COMMITTEE ON GOVERNMENT REFORM

TOM DAVIS, CHAIRMAN



NEWS RELEASE

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Postal Reform a High Priority for New Congress

Davis, Colleagues Reintroduce Landmark Legislation to Overhaul Failing Postal Service

WASHINGTON, D.C. – In an effort to modernize our nation’s postal laws for the first time in 35 years, Government Reform Committee Chairman Tom Davis (R-VA) and Rep. John M. McHugh (R-NY) are putting postal reform legislation back on the table in the 109th Congress. Davis and McHugh, along with Ranking Minority Member Henry Waxman (D-CA) and Rep. Danny Davis (D-IL), have reintroduced H.R. 22, the Postal Accountability and Enhancement Act. The legislation was originally crafted by the bipartisan team last year, providing well-refined tools to ensure that the U.S. Postal Service can adapt and survive in the competitive communications marketplace of the 21st Century.

“Since the Postal Service is hampered by a legal framework that is outdated and unsuited for today’s competitive environment, the Postal Service is facing a bleak and uncertain future. First-class mail volume is declining while the number of addresses is increasing, and the Postal Service has but one mechanism – raising rates – to make up the difference between its falling revenues and rising costs,” said Chairman Davis. “Observers have likened this to a ‘death spiral,’ where declining business leads to higher rates, which in turn leads to a further decline in business, and so on, and so on, and so on. We simply cannot fail to act. Postal reform is not a luxury we cannot afford – it is a necessity we can no longer avoid.”

“When the Government Reform Committee reported this bill to the House floor last year, we marked the most significant progress for postal reform in 10 years,” said McHugh. “I am thrilled to reintroduce this solid piece of legislation, which will not only ensure the survival of our postal service, but also help preserve universal service at affordable rates for the American mailing consumer. We’ve bridged many divides in reaching this point, and I am confident that all parties involved will succeed in supporting this \$900 billion industry and its nine million jobs. I look forward to working with my

colleagues in the Government Reform Committee and with our counterparts in the Senate to ensure that postal reform becomes reality in early 2005.”

H.R. 22 is identical to the postal reform bill that passed the Government Reform Committee last year by a vote of 40-0, with several minor modifications. The new legislation:

- Incorporates amendments approved by the House Judiciary Committee in September 2003, which remove the bankruptcy protection for USPS and make Judiciary-recommended revisions to language regarding postal police officers and prohibitions on mailing hazardous materials.
- Corrects a technical problem with the original legislation regarding the Postal Service’s payment for its retiree health benefits that, if left uncorrected, could have resulted in the Postal Service double paying more than \$500 million in required payments for fiscal year 2006.
- Modifies the role of the Inspector General (IG) in the new regulator’s annual postal audit by no longer mandating a duplicative annual review by the IG.
- Ensures the continued existence of the “Within County Periodicals” subclass of mail, upon which community newspapers are dependent.
- Makes a variety of other assorted technical modifications to the bill, including updating of various effective dates for 2005.

H.R. 22 reflects input, feedback, and deep discussion from citizens, major mailers, the Postal Service, competitors, employee organizations, and many others. Overall, the major provisions of the Postal Accountability and Enhancement Act remain the same as the version introduced last year:

- **Modern Rate Regulation** – shifting the basis of the Postal Rate Commission from a costly, complex scheme of rate cases to a modern system designed to ensure that rate increases generally do not exceed the annual change in the Consumer Price Index. This applies only to market-dominant products (e.g., letters, periodicals, advertising mail) because the Postal Service is provided with different pricing freedom for its competitive products (e.g., Express Mail, Priority Mail, etc.).
- **Combining Market Disciplines with Regulation** – combining market mechanisms with Commission regulation to govern the rates of competitive products. The Postal Service would be given additional pricing freedom but would lose favored legal treatment for such products.
- **Limitations on Postal Monopoly and Nonpostal Products** – requiring the Postal Service to only offer postal services and for the first time defining exactly what constitutes “postal services.” The bill also revises the authority of the Postal Service to regulate competitors.

- **Reform of International Mail Regulation** – clarifying the authority of the State Department to set international policy, applying customs laws equally to postal and private shipments, and giving the Postal Service the authority to contract with airlines for transport of international mail.
- **Strengthening of the Commission** – giving the Postal Rate Commission “teeth” by granting it subpoena power and a broader scope for regulation and oversight. The PRC would be renamed the “Postal Regulatory Commission.”
- **Establish a Basis for Future Reforms** – mandating several studies, including a comprehensive assessment of the scope and standards for universal postal services.
- **Miscellaneous Reforms** – including returning the responsibility for the military service cost of certain postal retirees to the Treasury Department, while also requiring the Postal Service to significantly fund its enormous liability for retiree health benefits.

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